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INFO RUEHB/AMEMBASSY BEIJING PRIORITY 2178
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SIPDIS

NSC (WINTER, LOI), COMMERCE (JIM PRUITT), TREASURY (AMB. HOLMER, OASIA-CUSHMAN)
STATE EAP FOR A/S HILL, PDAS DAVIES
EAP/CM FOR SHEAR AND THORNTON, EAP/PD FOR STOLTZ, GALT AND EMMONS
R FOR GLASSMAN, ECA FOR A/S AMERI, DAS ROMANOWSKI, KORYCKI, OGUL
L/ETHICS FOR BROOKS
H FOR MCMANUS

E.O. 12958: N/A

TAGS: CH KPAO BEXP SCUL ETRD PREL

SUBJECT: (SBU) GRIM OUTLOOK FOR EXPO PARTICIPATION

REF: Shanghai 391

From Shanghai CG Camp and Beijing Charge Piccuta

¶1. (SBU) Summary: Prospects for an American national pavilion at the Shanghai World Expo 2010 look increasingly grim. The private sector fundraising team reported on Sept. 29 that the initial \$500,000 of USA Pavilion seed money is exhausted with as yet no new money raised to pay for the pavilion. Consulate General Shanghai faces delivering this extremely unwelcome news to Chinese authorities next week after the Chinese national holiday period and seeks guidance on how to approach the issue. We anticipate a strongly negative impact on the U.S. image in China and in the wider EAP region. End summary.

--Expo background--

¶2. (U) More than 175 countries have signed participation agreements for the Shanghai World Expo 2010, viewed by the Chinese government as a companion piece to the 2008 Beijing Olympics. Slated to be the largest in history, the Expo is expected to draw 60 million Chinese visitors and another 10 million international visitors during its May-October run. Billboards, exhibits, media and massive infrastructure construction in Shanghai are focused on this event, now less than 600 days away. A prime location next to a new subway stop has been reserved for us.

¶3. (SBU) Post learned Sept. 29 that the private-sector USA Pavilion leadership team of Nick Winslow and Ellen Eliasoph was preparing to close down their fundraising effort due to exhausted cash resources and a resulting inability to fund essential work required to meet technical deadlines related to soils testing and construction planning. [Note: Most international participants are preparing to break ground at their pavilion sites in January or February 2009, with initial planning, design, contracting, and soils testing already underway.] According to Winslow, companies such as Dell, Disney, Pepsi and Wal-Mart have shown interest in supporting the pavilion, but their internal review and decision timetables can't be accelerated to meet the Pavilion team's desperate cash-flow needs.

¶4. (SBU) Even quick, positive decisions from Dell and others currently on the fence would not achieve the \$82 million fundraising goal. The U.S. business community overall is not enthusiastic about a "national" pavilion that must be 100%

funded by the private sector. Senior consulate officers at an Amcham Shanghai-sponsored breakfast nearly a year ago were told that "if you (the USG) really consider this important, then you should throw in some money, too. Then a lot of us would see that as a signal of real commitment and come along with you."

--Delivering the message--

15. (SBU) With Chinese government offices now closed for a week in celebration of the 59th anniversary of the founding of the PRC, the Consulate intends to wait until the week of Oct. 6 to notify authorities that the U.S. will not have a national pavilion at the Shanghai World Expo. The newly arrived Consul General is scheduled to pay an introductory call on the Shanghai Expo Bureau and tour the expo site on Oct. 10. Every Chinese government official she has met so far has stressed the central importance of a U.S. pavilion. All stated with confidence that, in the end, the U.S. would be at the Expo, in the prime spot reserved for us. None can imagine a World Expo without U.S. participation.

16. (SBU) Pending guidance by Washington we plan to say that the USA Pavilion fundraising team has "suspended operations", but we have little to say if and when asked about next steps.

--Possible consequences--

17. (SBU) If we throw in the towel, the consequences are likely to be extremely widespread:

- The U.S. absence at the largest World Expo in history, in the biggest country in the world, will be glaring. Our non-participation will be seen as a sign of declining economic power and influence in the Asia Pacific and the world.

-In January the U.S. and China will commemorate the 30th

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anniversary of the establishment of full diplomatic relations; launching a USA pavilion would cap the celebrations; explaining why we will not participate in the Expo will kill the champagne bubbles.

- Chinese authorities tout the U.S. pavilion as one of the biggest draws of the Expo, which is why they have provided a prime spot. We will miss a golden public diplomacy opportunity to demonstrate the dynamism of American life to an estimated 70 million visitors.

- Both Chinese leaders and the public will interpret our absence as motivated by political and economic factors. They will conclude that we do not consider the Expo important enough to ensure a presence at the Expo and that our absence is due to our "failed" economic system. If the overall relationship in 2010 is poor for any reason, state-controlled media may claim that the U.S. resents China's rising status in the world and wants to make China lose face.

-China will not accept that we plan to sit on the bench. We and the next administration will be pressed to continue fundraising with U.S. companies, to allow Chinese companies to support the USA pavilion, and to find a way to obtain USG government funding.

-Although not eager to bear the full cost of the U.S. Pavilion if the USG won't pony up, American businesses are nevertheless worried about possible repercussions. At a minimum, they believe large orders could shift to countries that are participating. Some fear that U.S. businesses could face the kind of demonstrations and boycotts the French experienced during and after the Olympics, especially if other adverse factors come into play.

-As we search for property suitable for a new Consulate, municipal officials who are considering using land at the Expo site as a future diplomatic enclave are not likely to put our needs at the top of their list.

18. (SBU) Comment: World Expos often make headlines only in the host country's region. This one, however, is being touted as China's next big role on the world stage after the Olympics. On the plus side, a U.S. national pavilion offers an outstanding transformational diplomacy opportunity to project a positive image of America both to the 70 million visitors to the Expo and

to the wider Chinese public. The scale of this Expo guarantees it will be noticed around the world. On the down side, countries in East Asia will interpret the U.S. absence as a symbol of America giving up status and influence in the region to a rising China, which is working hard to increase its "soft power" attractiveness. The damage to the U.S. public image will be global.

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